

For More Attractive Export Incentives

We published a report the other day to the effect that a recent study, presumably commissioned by the United States Agency for International Development (USAID) Dhaka, found export incentives offered by Bangladesh less attractive than the package put together by the neighbouring countries. The study identified the tax structure, nonavailability of cash incentives and the absence of interest rate subsidy as the major areas where exporters in neighbouring countries enjoyed a better advantage than ours.

As for tax structure, export incomes in the neighbouring countries enjoy full exemption. In our case, export earnings get only a partial rebate on income tax. Besides, income tax is realised in part in advance at the export shipment stage. Although the advance tax is realised at a nominal rate, it does hurt exporters' liquidity position. To go by the findings of the study report, the contrast is indeed glaring, calling for remedial measures. The step taken by the government to allow import of capital machinery by wholly export-oriented industries free of duty, could be viewed as a mitigating factor. However, exporters suspect that procedural bottlenecks would not let the facility work smoothly.

Reforms in foreign exchange regime and the financial sector had dictated withdrawal of cash incentives and subsidised rates of interest for exports. At the same time, banks' lending rates have been brought down. India has brought down its minimum lending rates to 14 per cent only very recently. Nominal interest rates in Bangladesh are decidedly lower. State-owned banks are charging as low as 8.5 per cent on export financing while private banks realise one to two per cent more. One of our problems is that banks mostly allow export financing at the lower interest rate only for a limited period — usually not beyond six months. If export processing and completion of the transaction take longer, they usually charge for the additional period, commercial rates of interest which are naturally higher. Perhaps the authorities should look into this.

Loss of cash incentives would not have hurt our exporters that much if Taka convertibility had been made more meaningful. Except for a paltry retention quota, exporters are required to surrender their foreign exchange earnings, immediately on receipt, at the going rate. Had they been able to hold on to their foreign currency receipts, so that they could sell these at their will, they could have reaped the advantage of better conversion rates later and earn a higher yield in local currency for each dollar they bring in. The study report says that currency convertibility in India yields its exporters an additional margin of fifteen per cent in terms of local currency.

The government has adopted export-led growth as a strategy for economic development. The ratio of exports to GDP provides a measure of success in this regard. Our exports come to 9 per cent of GDP. In the case of India, the ratio is 19.6 per cent, for Thailand it is 32.5 per cent and for Malaysia 40.7 per cent. We still have a long way to go.

Merchandise exports rose by 22 per cent last financial year. During the first quarter of the current financial year, export growth slowed down to less than ten per cent. The growth rate has weakened further and in the first six months of the current fiscal ending December '93, exports rose by less than seven per cent compared to the same period of the last financial year. Authorities should take note of the faltering growth rate and adopt urgent measures to improve export competitiveness.

Train Robbery

This is incredible. And this is strange. Dacoits committed in moving vehicles or vessels have a pattern. Dacoits disguised as passengers in crowded compartments, gnash their teeth and bare their arms to intimidate the genuine travellers to give up all they have exclusive their lives. There are cases when some victims not proving insufficient pliant had to give up even that.

On Wednesday a big dacoity was committed on the moving inter city train 717 Jaintika Express. Only the first class compartments were robbed, stripping the passengers bare of everything valuable including even hefty cash. Two travellers from foreign lands were among the worst victims — they were left with nothing except the clothes on them. A resisting passenger was very badly stabbed. The booty the robbers made away with was worth Taka 7 crore. The dacoits did not need to stop and board the train. They just trickled into first class from the less priced classes. There was no one there to stop them. An unarmed attendant is in no way a match for a gang determined to descend on a compartment or two. The key question was where were the armed police posse that rides every train, and what were they doing? The answer to that is — there wasn't any uniformed and armed elements of the police on the train.

How can that be? How was it possible? A long haul train without any security arrangement? This seems to be a case of easier done than said. And who would now prevent the gangs operating and the ones in the process of formation from getting a signal about the easiest way to do their risky job?

Many things are recently happening on the railway scene. The government is rather oblivious of the needs of lifting the railway from the bad patch it has struck very recently. A kind of couldn't-care-less marks the authority's handling of the railway. Those are mostly innumerable people stumbled into in the course of a routine. But the Wednesday dacoity leaves no room for conjectures. It was a case of neglect and carelessness — at whatever level or levels. Proving that the government has lost interest in the rather challenging job of making train journey the most popular mode of movement.

Recently trains have been meeting with too many accidents. That was a bad enough thing. Now the insecurity of a train journey is increased rather than otherwise by the Jaintika dacoity.

Who will take the blame for the Jaintika dacoity? Unfortunately for us, there are in this land no dearth of people ordering other people about. And when anything goes wrong anywhere, there is no one to take the responsibility. As much as we want the wrong to be righted we want the responsibility for running an unguarded train be clearly laid on somebody or some bunch — and appropriate punishment meted out.

How Good is the Lower Price of Food?

by Abdul Bayes

I used to be said, not long ago, that the politics of Bangladesh was the politics of rice meaning that a sudden surge in the price level of this staple commodity could agitate people to be on the street, ignite movement and thus cause a shake, if not fall, to a regime. But now it appears that it is not high but low prices that could, with equal force, embarrass a government in Bangladesh. To back up the new hypothesis, one needs to recollect the price collapse after the boro harvest of 1992 that persisted upto boro harvest of '93. On average, the nominal wholesale prices fell by 30% (26% in real terms) between April 1992 and March 1993. The dip in rice prices that occurred captured the head lines in the national dailies and storm of protests brewed. It was alleged that the lower prices of rice robbed the farmers of their due share from harvests with the consequent sluggishness in the rural side.

The concern over lower rice prices could, probably, find an unequivocal sympathy from farmers at large in the developed society where almost all farm households are net sellers of their produce. But in the rural areas of Bangladesh, the majority of the producers are also the net buyers of rice from the market and hence in Bangladesh one should be cautious in giving verdict on such sensitive outcome. A famous left politician told us that after giving a fierce speech on the woes of farmers following the crunch, the landless group wanted to know whether the said speech by the leader should help the

landless or the land lord. If we all stand for lower prices, be it for agriculture or non-agricultural produce, then why is a cry over the lower rice prices? The answer is not as simple as many of us would tend to feel. One needs to be adequately equipped with field data to estimate the gains, the losses and then draw a conclusion.

Sun Rise and Sun Set

Dr. Hossain Zillur Rahman of BIDS attempted to evaluate the aforesaid crisis in terms of the gains (sun rise) and losses (sun set) across rural population. He based his arguments on data from field survey comprising 340 households over 17 villages. The paper entitled: "Low Price of Rice: Who loses, Who Gains?" tends to examine the economics and politics of low rice prices and derive some policy conclusions. Drawing from the study one could possibly visualize that "there are more things on heaven and earth" that might remain unknown to negate a nose-dive conclusion on the low rice price in Bangladesh.

The major findings of the study can be summarized as follows:

1. There was a definite price collapse persisting into the subsequent seasons of aman 1992 and boro 1993 with a progressive decline towards taka 150 per maund level. Regionally, Rajshahi Division seemed to have experienced the lowest ebb, through 29% fall in 1992 aman and 34% fall in '93 boro prices. The severity was the least in Chittagong with a price

fall of 16% and 18% respectively for aman and boro harvests.

(2) Of the surveyed households, 37% reported loss, 45% reported gains and 18% assessed that the slump had no impact on their welfare;

(3) The losing farmers are distributed, as a proportion in respect of class, as follows: Rich (100%), Middle (71%), Poor (38%) Agri-labourer (19%) and Non Agri-labourer (19%). The Gainers, on the other hand, are: Middle (10%), Poor (44%), Agri-labourers (63%) and Non Agri-labourer (60%). The reported unaffected group is, more or less, evenly distributed across farm size with least standard deviation;

(4) The gainers reported that the gains could be attributed to a rise in real wages that led to alter the size and composition of the consumption basket, at least for that period of the spurt. The losers on the other hand blamed the higher input prices that squeezed the profit margin;

(5) The Price collapse was not followed by a concomitant wage collapse and hence, turned out to be a boon to "windfall consumption" gains to the poorest;

(6) There was no evidence of a significant contraction in employment as a result of the crisis;

(7) The slump is now over and data upto 1993 clearly shows a normal pattern of seasonal rise and this year's aman harvest could stage a come back to Taka 250 per maund. It follows that the steep fall

in rice prices, by and large, benefitted the non-farm group of households e.g. labourers but hurt the rich and the middle ones. From distributional and nutritional points of view, such an outcome could be eulogistic no doubt. But the most disconcerting episode is that such an outcome would adversely affect the growth in the rural economy via its impact on producers, be it rich, middle or small, who adopt modern technology to produce HYV crops that absorb a larger part of the labour supply in the rural areas.

Available evidence tend to depict that the farm households faced a sharply rising prices of input (e.g. potash and phosphate fertilizer prices were up by 40% and 38% respectively) and a sharply falling prices of output, on the other. For aman and boro crops, as it appeared from the survey results, positive returns resulted even at Tk. 150 per maund, provided, only cash costs were considered i.e. without imputing household input costs. Once the latter costs were taken into consideration, net returns appeared negative for boro only.

Once the profit margin was highly squeezed by the adverse input/output price ratios for boro, farmers tended to adjust through a reduction in boro acreage.

The real downward price elasticity of boro acreage should be as rightly pointed out by Dr. Zillur, a fact of concern since the crop is mostly driven by modern technology. On the aman side the adjustment was through a shift from coarse HYV to finer varieties

and not from acreage deduction.

The Reason for the Collapse

Mainly three important factors are alleged to have caused the dip. First, the bumper boro crop of 1992 is said to have resulted in substantial stockpiling by both non-mill firms and mill gate firms. The past 5-year rise in procurement prices raised an expectation to cling to stocks. Second, due to overflowing public stocks and a shortage of warehouses, Government abruptly suspended the procurement drive 1992 indefinitely which encouraged a dumping of surplus in panic in the market. Third, the Government's unwillingness to pre-finance paddy purchase led to a reduction of purchase by about one-third. It needs to be mentioned here that the procurement policy of the Government, always haunted by the spectre of 1974, has long been over-emphasizing the politics of a deficit in the rice market rather than the economics of a surplus therein. And by inappropriately doing that, some of the drives turned out to be counter-productive.

Is the Phenomena a Silverlining?

Many would like to argue that the fall in prices are always welcome since it helps the poor in the rural and urban areas and also the middle class fixed income earners. So far so good. But if the reduction in price is caused by a sustained shift in the supply curve (to the right), then everybody gains in the economy, not just

the consumers. The outcome, as experienced in 1992, does appear to originate from a glut (not from a sustained supply shift) and might severely hit the supply response of the farmers who produce labour absorbing HYV backed by modern inputs. A reduction in boro acreage and in the intensity of fertilizer use evinces that argument. The weakness of the economy is revealed by the fact that the dip was caused by a sense of panic from the Government and the household side. The weakness of the economy is further displayed by the fact that no perceptible adjustment occurred via shift of acreage to other high price commodities i.e. lack of crop diversification, and thus made farmers more vulnerable to such crisis.

The Future Agenda

Rice market, now-a-days, is more integrated than in the past and the world market of rice does not appear as volatile as to warrant massive stock piling. Government needs to reconsider the procurement policy in the light of the changing imperatives. The major policy of the Government should be to enhance the supply elasticity of the products and the overall market integration through providing physical infrastructure information network and a conducive environment for the producers. Farmers should try to overcome the present mono-cropping system and poised for crop diversification to spread the total gains or losses over a number of commodities.

Low price of rice is good but too low a price is bad. Short run gains might breed long run pains.

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that America's key position in a 'new world order' is predetermined by the existing power balances among the major powers of the world. But whenever this power balance would change a new conflict would be inevitable for occupying the position at the apex. Then the old contention between the US and the former Soviet Union would in all probability be replaced by rivalry among the major developed powers.

Even in the developed world despite the high degree of political and economic integration achieved by the Euro-Atlantic Community, conflicts within themselves can not be ruled out. Because the post cold war international system operates as in the past, within the frame-work of real politik where power and interest are still the two key concepts to understand world politics. The incompatibility of interest and drive for power may bring the nations in to a head-on clash. The abstract values such as human rights and democracy are superficial in analysing changes in the composition of power in world politics. The peaceful dissolution of Soviet Union and the changing political map in Eastern Europe, therefore, may well be a prelude to another round of competition among the major powers. So the end of cold war may not bring a lasting peace to the world as people hoped. Rather the conflict of national interests might be more intense.

There is already a debate whether the American-led unipolar world is going to last long. Many see even the Gulf war as a sign of the decline of comprehensive US power as demonstrated through her inability to sustain a limited war against a small country without substantial financial support from the allies. By all indications the world is fast moving towards multipolarity. It is only expected that in a multipolar world the major powers would always try to out-maneuver each other and thus come into conflict.

Power struggle is a constant phenomenon of world politics so long as the nations exists, and ideologies, in the final analysis, are just fig leaves for the drive to power. It is also too early to conclude that the struggle between capitalism and socialism has really ended. Last but not least, the conflicts between civilizations, cultures and religions would, as predicted by Huntington, continue to rage.

The Continuing Spectre of Conflicts

by Brig (Retd) M Abdul Hafiz

Karabakh degenerated into open warfare: The Muslim population of South Ossetia and Abkhazia have been attempting to secede from predominantly Christian Georgia. Both Tatarstan (having substantial petroleum reserve) and Chechen-Ingushetia declared independence from Russian Federation.

These by no means portray any comprehensive picture of the conflicts raging to day around the world; neither are all forces responsible for such conflicts illustrated here. The problem of nationalism which had troubled the international society since the French Revolution and plunged the world into two world wars was apparently solved. After those wars, with the redrawing of political map in Europe and subsequent dissolution of colonial empire, the question of strident nationalism seemed to be a finally settled issue. But the question of ethnic, tribal, communal, regional — in fact the whole issue of subnationalism remained overshadowed in most places by a bipolar and ideological structure of security that came into being immediately after the second world war. A cluster of new conflicts of interests either on ethnic or religious basis once suppressed under the rigid bipolar system has now surged

with all the uncertainties and intensities. For example, the Soviet Union has disappeared but the fifteen independent republics that used to comprise it have inherited a grim legacy of ethnic and nationalistic tension from the Russian and then Soviet empire. In East Europe with the retreat of Soviet control over the region in 1989 the territorial disputes, attempts at secession and the assertion of small power imperialism have all arisen. In Central Europe Slovakia has asserted its independence from the Czechs who they thought dominated.

Ethnic assertions are going to dominate the conflictual scenario across the world till such time some mechanism is evolved for making multiethnic-polity a success and a new approach to the governance of a pluralistic society is adopted. Many of the old civil wars have persisted despite the end of cold war as in Angola, the Sudan and Mozambique. Others have erupted or have greatly intensified even after the end of cold war as in Somalia, Rwanda and Liberia. The growing tribal conflict between the Zulu dominated Inkatha and nominally multi-ethnic ANC is a post cold war phenomenon. The internecine violences in Kashmir and Sri

lanka have survived almost the entire cold war period. Add to these the spots of dormant ethno-religious issues capable of flaring up at any instance. The dangers loom particularly in Tibet, Xinjiang, Inner Mongolia, Mindnao, Iran, Jaya, East Timor, Punjab, Assam, Sindh and Kurdistan.

Even in the developed world despite the high degree of political and economic integration achieved by the Euro-Atlantic Community, conflicts within themselves can not be ruled out. Because the post cold war international system operates as in the past, within the frame-work of real politik where power and interest are still the two key concepts to understand world politics. The incompatibility of interest and drive for power may bring the nations in to a head-on clash. The abstract values such as human rights and democracy are superficial in analysing changes in the composition of power in world politics. The peaceful dissolution of Soviet Union and the changing political map in Eastern Europe, therefore, may well be a prelude to another round of competition among the major powers. So the end of cold war may not bring a lasting peace to the world as people hoped. Rather the conflict of national interests might be more intense.

Besides, some scholars ar-

Ammanullah's compassion for the downtrodden would be a milestone in the field of philanthropy in our country. When completed, this hospital would be the reflection of his profound feeling for the deprived section/class of our society. This noble act, a kind of rarity now a days amongst the affluent class, would be an eye-opener and an inspiration as well to all the privileged section to come forward with the sense of compassion to do something for the under privileged.

As we are all aware of the present dismal situation prevailing in almost all the Government hospitals, this 1000-bed non-profit sophisticated hospital, biggest of its kind in private sector, would be a boon to the decaying health service of our country. If the affluent of our society come forward with their active participation to bring change to our grim picture of ailing masses, it would be a great solace to those who are literally bereft of proper and advanced treatment in our country.

Therefore, all we need now is the patronization of our health sector by our well-to-do citizens. At present what we need most is good hospitals and educational institutes for healthy and educated citizens are prerequisites to the socio-economic growth of our country. We hope that the planned hospital would soon turn into a reality as dreamt by Mr Haji Mia Ammanullah, and moreover, this trend in philanthropy would be emulated by others.

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Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

A notable Press Note

Sir. The government Press Note on the events of the day of the so-called Secretariat siege programme of the Awami League is a tacit confirmation of the extent of lawlessness prevailing in the country.

We are appalled to learn that 'armed' busters' shot and killed two 'looters' in the city's Siddique Bazar area.

A citizen.

Royal Bengal Tigers

Sir. In the past, especially during 1950's and 1960's hunting tigers was a favourable sport and displaying tiger's skin in the drawing rooms was a sign of aristocracy and bravery in our country. We also visited foreign kings and VIPs for shooting our Royal Bengal Tiger.

These days, despite banning of hunting it is alleged that tigers are being killed secretly, the skin is exported to some Middle East countries and the flesh sold at exorbitant prices in some far eastern countries.

We do not have any correct figure about the number of tigers we have in our country. It is however estimated that the figure varies from 400 to 500 only.

Our Royal Bengal Tiger is an exceptional one. It is a majestic, most attractive, handsome,

vigorous and powerful animal in the world. We are all proud of our Royal Bengal Tigers.

But, unfortunately, so far we have not taken any concrete step for the preservation, care, safety and security of life of our Royal Bengal Tigers. As a result the number of this rare animal is decreasing fast day by day.

We have declared 'Shapla' as our national flower, Doyel as our national bird but we have failed to declare Royal Bengal Tiger as our national animal as yet.

We would request our authorities concerned especially the Ministry of Civil Aviation and Tourism and the Ministry of Forest and Environment to kindly set up a wild life sanctuary in the Sunderbans, declare Royal Bengal Tiger as